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Prezentace předmětu: Marketing of Services

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**SLEZSKÁ
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OBCHODNĚ PODNIKATELSKÁ
FAKULTA V KARVINĚ

Physical Evidence and Distribution

The aim of the lecture is to teach you how to approach physical evidence and distribution in marketing of services.

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Přednášející





PHYSICAL EVIDENCE AND DISTRIBUTION

Lecture content

Physical evidence
POP materials
Ambient marketing
Distribution

Physical evidence



- Services as we know are largely intangible when marketed.
- However customers tend to rely on physical cues to help them evaluate the product before they buy it.
- Therefore marketers develop what we call physical evidence to replace these physical cues in a service.

- The role of the marketer is to design and implement such tangible evidence. Physical evidence is the material part of a service.

There are many examples of physical evidence



- The building itself (such as prestigious offices or scenic headquarters). This includes the design of the building itself, signage around the building, and parking at the building, how the building is landscaped and the environment that surrounds the building. This is part of what is known as the servicescape.
- The interior of any service environment is important. This includes the interior design of the facility, how well it is equipped, internal signage, how well the internal environment is laid out, and aspects such as temperature and air conditioning. This is also part of the servicescape.

There are many examples of physical evidence



- Packaging.
- Internet/web pages.
- Paperwork (such as invoices, tickets and dispatch notes).
- Brochures.
- Furnishings.
- Signage (such as those on aircraft and vehicles).
- Uniforms and employee dress.
- Business cards.
- Mailboxes.

Physical Environment (Zeithaml, 2000)



- The physical environment is the space by which you are surrounded when you consume the service.
- So for a meal this is the restaurant and for a journey it is the aircraft that you travel inside.
- The physical environment is made up from its ambient conditions; spatial layout and functionality; and signs, symbols, and artefacts (Zeithaml, 2000).



- *„The environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service“ (Booms and Bitner, 1981)*
- As we can see, american literature uses the name servicescape for what we understand as physical environment.



- Why do we do this? Why are we investing heavily into servicescape?
- We want to build positive emotions in our place.
- These emotions then transfer to our brand!
- Servicescape can build attributes to our services that would be otherwise unachievable.



- Facility exterior:
 - Exterior design
 - Signage
 - Parking
 - Landscape
 - Surrounding environment



- Facility interior:
 - Interior design
 - Equipment
 - Signage
 - Layout
 - Air quality/temperature
 - Sound/music/scent/lightning



- We can sum it up into 4 dimensions.
 1. Ambient conditions.
 2. Spatial layout.
 3. Signs, symbols and artifacts.
 4. Personnel.

Senses in serviscap



- Hearing – purchasing behaviour can be influenced by music. E.g. fastfoods use fast modern music, restaurants rather slower.
 - Sight – layouts, structured environment, colours, lighting.
 - Taste – samples of food, free coffee.
 - Touch – different materials, different surfaces.
 - Smell – fresh fruits, heavy smells.
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- The ambience can include e.g. temperature, colour, smell and sound, music and noise. The result of ambience is a mix of these elements which consciously or subconsciously help us to experience the service. Ambience can be diverse.
- The ambience of a health spa is relaxing and calm, and the music and smells underpin this experience. While the ambience of a nightclub could be loud noise and bright lights which enhance the customer experience, obviously in a different way.
- The marketer needs to match the ambience to the service that is being delivered.

Spatial Layout



- The spatial layout and functionality explain how the furniture is set up or machines are layed out.
- An example could be the spatial layout of your local cinema, or a church or temple that you have visited and how this affects your experience of the service.
- Functionality is more about how well suited the environment is to actually accomplish your needs. For example is the seat in the cinema comfortable, or can you reach your life jacket when on an aircraft?

Corporate branding (signs, symbols and artefacts)



- The final piece of the puzzle are corporate image and identity, which are supported by signs, symbols and artefacts of the business itself.
- Examples of this could be the signage in Starbucks which reassures the consumer through branding.
- When you visit our university, there are signs which guide you around the premises smoothly, as well as statues and logos displayed throughout the complex.



- There are 2 approaches to what merchandising means. The first is supporting products, like t-shirts, cups etc., that you sell with your main brand.
- But we are more interested in the second one, that is on a in-store level, merchandising there refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase.
- For example the Apple Store. But their approach has been copied by many other brands.



- POP materials (point of purchase) are helping you to get the attention of your customers.
- POS (point of sale) are available where the final sale is happening, where the consumer/shopper is actually paying for their purchases. It can be a reminder to purchase something.
- POP materials nowadays play much greater role as it helps us transmit more information and create impulse purchases.

Definition of distribution



- *„The process of giving things out to several people, or spreading or supplying something“.* (Cambridge Dictionary)
- *„If expected marketing goals are to be achieved, a product must be made accessible to the target market in an efficient manner. In many markets, the biggest constraint to successful marketing is distribution.“* (Kotler, 2007)



- DC (distribution channels) are a chain of intermediaries, each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user.
- Services differ from products in distribution as the most are distributed directly – DIRECT channel means it is owned by the service company.
- But some can use INDIRECT distribution – not owned by the company.



- Distribution channels may not be restricted to physical products alone.
- They may be just as important for moving a service from producer to consumer in certain sectors, since both direct and indirect channels may be used.
- Hotels, for example, may sell their services (typically rooms) directly or through travel agents, tour operators, airlines, tourist boards, centralized reservation systems, etc.
- Other functions: collecting information, sales promotion, contacting (potential) customers, adjusting the supply to customers needs, bargaining, etc.



- Intermediaries are the „man-in-the-middle“, they can function as sort of a „glue“ between our brand and the final end customer by building the trusting relationship.
- The primary types of intermediaries are:
 - franchisees,
 - agents,
 - brokers,
 - outsourced subcontractors (helpline in India)
 - and electronic channels.

- Franchising is the practice of using another firm's successful business model.
- *„A continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).“ (Entrepreneur Europe)*



- *„An agency broker is a broker that acts as an agent to its clients. When acting as the agent, the agency broker must look after its clients' best interests, which involves attempting to fill client orders at the lowest price and in the fastest way possible.“ (Investopedia)*
- An agent is an intermediary acting on behalf of a service owner (such as a real estate agent) or a customer and is authorized to make agreements between the owner and the customer.
- A broker is an intermediary who brings buyers and sellers together while assisting in negotiation (they have the know-how).



- The internet has changed many Things. It can be said that it had transformed the planet, our lives and subsequently also how services can be delivered to the customer.
- Examples of great changes are: movies on demand, interactive news and music, banking and financial services, multimedia libraries and databases, distance learning, desktop videoconferencing, remote health services, online games.

Common intermediary issues



- Channel conflict over objectives and performance.
- Difficulty controlling quality and consistency across outlets.
- Tension between empowerment and control (McDonalds).
- Channel ambiguity (who spends money?)



- Distribution channels can have a number of levels:
 - The „zero-level“ channel is the simplest level where a company has direct contact with the customer, no intermediaries are involved.
 - The „one-level“ channel has only one intermediary. For small markets, such as our country, it is convenient to reach the whole market using just one- and zero- level channels.
 - The „two-level“ channel is used in larger countries. For example a wholesaler is mainly used to extend distribution to the large number of small, neighborhood retailers.
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- Motivating our employees is hard, now with other employees of other intermediaries it is very hard.
- Motivation by money works the best, e.g. Margins. Other good motivations are training and education in exotic places.
- Conflicts in distribution might occur – who is doing what for how much money. (eshop stealing customers of dealers)

Factors affecting channel choice



- Cost
- Competition
- Type of product
- Culture
- Customer
- Control
- Capital requirement
- Firm goals

Distribution options for serving customers



- There are 3 possible options.
- Customers visit service site – like a restaurant.
- Service providers go to customers – avon.
- Service transaction is conducted remotely - banking.



- Place and time are important to decide.
- We need to decide, where our service is gonna be available and when.
- Location constraints – do I need a special location to be able to provide my service? (airport) Can I bundle services together? (plyclinic instead of separate doctors)



- When should my service be available?
- In the past it was fixed hours. Now with new technology and new customers its 24/7.
- We need to analyse our customers. E.g. Sushi in Karviná – luxury service (experience) for middle class and upper class – opened from 3PM to 9PM.

Services internationally?



- Can we sell our services internationally?
- Yes we can!
- However we have to adapt to our customers. In every country, people will demand different distribution and physical environment.
- Fast-food in USA is fast, mainly done from the car, in EU its not as fast, mainly done in a restaurant, in Turkey its much slower, small-talk with employees is required.

Conclusion



- You have learned about the physical environment and distribution of services.
- We have gone through what physical environment means, nowadays also called the serviscape.
- How various human senses are connected with our servicescape.
- We have examined the distribution of services. Various intermediaries, the role of time and place in distribution.
- Our lecture concluded with services in international environment.